

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham &amp; Alfrey, P.C.</i>			Date <i>John R. K.</i>	

**Village of Ovid  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2004**

Village of Ovid  
Clinton County, Michigan

December 31, 2004

VILLAGE COUNCIL AND ADMINISTRATION

Mr. William Lasher	President
Mr. Rod Tew	President Pro-Tem, Trustee
Mr. Gerald Meredith	Trustee
Mr. Arthur Price	Trustee
Mr. Charles Moore	Trustee
Mr. Larry Ordiway	Trustee
Ms. Ofelia Padilla	Trustee
Ms. Josefina Medina	Clerk
Ms. Cindy Fruchey	Treasurer

Village of Ovid

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## Principals

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ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable President and  
Members of the Village Council  
Village of Ovid  
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Ovid, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Ovid's management. Our responsibility is to express opinions on these financial statements based on our audit.

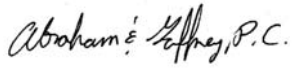
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Ovid, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ovid's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Abraham & Gaffney, P.C.".

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 4, 2005

## **Village of Ovid**

### **Management's Discussion and Analysis**

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#### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Village of Ovid's (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2004. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section. 2004 represents the first year the Village implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

#### **FINANCIAL HIGHLIGHTS**

##### **Government-wide:**

- Total net assets were \$4,381,745 (excluding component units).
- Governmental activities net assets were \$1,492,770.
- Business-type activity net assets were \$2,888,975.
- Component Unit net assets were \$172,916.

##### **Fund Level:**

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$642,210 with \$33,757 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$6,551 more in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations also expended \$29,577 less than appropriated.
- Overall, the General Fund balance decreased by \$51,639 to \$529,379 with \$496,925 being undesignated and available for general purposes.

##### **Capital and Long-term Debt Activities:**

- The primary government issued no new debt issues for the year.
- The total long-term debt for the primary government was \$273,338 with a net reduction of \$38,451 from the prior year.
- The Village remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$62,211 and included a new police car and accessories, construction of a new pavilion at the park, additions to the water and sewer systems, and other items.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

## Village of Ovid

### Management's Discussion and Analysis

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#### **Government-wide Financial Statements (Reporting the Village as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2004. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Unit*** - Discretely Presented Component units are legally separate organizations for which the Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.



## Village of Ovid

### Management's Discussion and Analysis

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- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

#### **Fund Financial Statements (Reporting the Village's Major Funds)**

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Ovid include the General Fund, the Major Street Fund, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

## **Village of Ovid**

### **Management's Discussion and Analysis**

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#### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 10 of this report.

#### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

#### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements. Also presented in this section is additional financial information related to the discretely presented component unit (DDA).

### **FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE**

As previously stated, Village of Ovid's combined net assets were \$4,381,745 at the end of this year's operations. The net assets of the governmental activities were \$1,492,770; the business type activities were \$2,888,975.

#### **Net Assets as of December 31, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current Assets	\$ 656,411	\$ 358,664	\$ 1,015,075
Noncurrent Assets	<u>863,898</u>	<u>2,833,551</u>	<u>3,697,449</u>
<b>Total Assets</b>	<b><u>\$ 1,520,309</u></b>	<b><u>\$ 3,192,215</u></b>	<b><u>\$ 4,712,524</u></b>
Current Liabilities	19,765	51,603	71,368
Noncurrent Liabilities	<u>7,774</u>	<u>251,637</u>	<u>259,411</u>
<b>Total Liabilities</b>	<b><u>\$ 27,539</u></b>	<b><u>\$ 303,240</u></b>	<b><u>\$ 330,779</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	863,898	2,342,756	3,206,654
Restricted	112,831	189,725	302,556
Unrestricted	<u>516,041</u>	<u>356,494</u>	<u>872,535</u>
<b>Total Net Assets</b>	<b><u>\$ 1,492,770</u></b>	<b><u>\$ 2,888,975</u></b>	<b><u>\$ 4,381,745</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

**Village of Ovid**  
**Management's Discussion and Analysis**

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**Changes in Net Assets for the Fiscal Year Ending December 31, 2004**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$ 44,802	\$ 271,488	\$ 316,290
Grants and Contributions	116,455	-	116,455
General Revenues			
Property Taxes	326,162	-	326,162
State Shared Revenue	154,181	-	154,181
Investment Earnings	6,375	2,964	9,339
Miscellaneous	<u>22,278</u>	<u>4,421</u>	<u>26,699</u>
<b>Total Revenues</b>	<b>670,253</b>	<b>278,873</b>	<b>949,126</b>
<b>Expenses</b>			
General Government	203,912	-	203,912
Public Safety	220,427	-	220,427
Public Works	283,935	-	283,935
Community and Econ. Dev.	3,462	-	3,462
Recreation and Cultural	25,581	-	25,581
Other	<u>-</u>	<u>268,679</u>	<u>268,679</u>
<b>Total Expenses</b>	<b><u>737,317</u></b>	<b><u>268,679</u></b>	<b><u>1,005,996</u></b>
<b>Increase (decrease) in Net Assets</b>	<b>( 67,064 )</b>	<b>10,194</b>	<b>( 56,870 )</b>
Net Assets - Beginning	<u>1,559,834</u>	<u>2,878,781</u>	<u>4,438,615</u>
<b>Net Assets - Ending</b>	<b><u>\$ 1,492,770</u></b>	<b><u>\$ 2,888,975</u></b>	<b><u>\$ 4,381,745</u></b>

**Governmental Activities:**

The result of 2004 governmental activity was a decrease of (\$67,064) in net assets to \$1,492,770. Of the total governmental activities' net assets, \$863,898 is invested in capital assets less related debt, \$112,831 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$516,041 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were property taxes at 34%, charges for services at 33%, and State shared revenue at 16%. The Village levied two property tax millages for the year ended December 31, 2004, one being for general government operations at 11.8397 mills, which is not assigned to any particular activity, and one for garbage collection at .7118 mills. Charges for services, which reimburse the Village for specific activities, are the second largest source of governmental activity revenue. Examples include water and sewer usage fees. Third largest was State funding through the State revenue sharing program.

## **Village of Ovid**

### **Management's Discussion and Analysis**

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#### **Expenses:**

Public works is the largest governmental activity, expending approximately 39% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 30% of the governmental activities total on police protection.

#### **Business-type Activities:**

Net assets in business-type activities increased by \$10,194 during 2004. Of the business-type activities' net assets, \$2,342,756 is invested in capital assets less related debt, \$189,725 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$356,494 is listed as unrestricted, having no legal commitment.

### **FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS**

As the Village completed 2004, its governmental funds reported *combined* fund balances of \$642,210. This is a net decrease of \$28,683. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Major Street</b>	<b>Nonmajor Governmental Funds</b>
<b>Fund Balance 12/31/03</b>	\$ 581,018	\$ 27,218	\$ 62,657
<b>Fund Balance 12/31/04</b>	\$ 529,379	\$ 38,716	\$ 74,115
<b>Net Change</b>	\$ ( 51,639 )	\$ 11,498	\$ 11,458

#### **General Fund:**

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2004, the General Fund reported a fund balance of \$529,379. This amount is a decrease of \$51,639 from the fund balance of \$581,018 reported as of December 31, 2003. The 2004 original budget called for a \$39,611 use of fund balance. \$32,454 of fund balance is reported as reserved or designated.

The General Fund 2004 expenditures exceeded 2004 revenues and other financing sources by \$51,639.

#### **General Fund Budgetary Highlights:**

The Village of Ovid's budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$558,901, \$6,551 above the final amended budget. The final amended and original budgets were the same and were only 1% different than final actual.

## **Village of Ovid**

### **Management's Discussion and Analysis**

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The Village's expenditure budget was increased by \$48,156 (8% above the original budget) during 2004. The majority of this increase (\$35,300; 73%) was for the budgeting of the purchase of a new police car and related accessories. The balance on the increase was related to the overall rise in personnel costs, etc.

Actual Village expenditures for 2004 were \$29,577 under budget. General Fund actual expenditures came in at \$610,540 and the final budgeted amount was \$640,117, which was only a 4.6% difference.

#### **Major Street Fund:**

As of December 31, 2004, the Major Street Fund reported a fund balance of \$38,716, an increase of \$11,498 from the prior year. The total fund balance is undesignated/unreserved. There were no material changes noted between the original and final amended budgeted revenues or expenditures. There were also no material differences between final amended revenues and expenditures and actual amounts.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of year 2004, the Village had invested \$3,466,654, and \$25,675 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$2,812,497 for the primary government. Depreciation charges for the fiscal year totaled \$173,292 for the primary government. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net book value of capital assets at December 31, 2004 was as follows:

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Component Unit DDA</b>	<b>Total</b>
<b>Land</b>	\$ 2,249	\$ 134,322	\$ 25,675	\$ 162,246
<b>Land improvements, net</b>	63,450	-	-	63,450
<b>Buildings, net</b>	192,876	-	-	192,876
<b>Furniture and equipment, net</b>	163,360	56,413	-	219,773
<b>Vehicles, net</b>	105,386	-	-	105,386
<b>Sewer system, net</b>	-	919,771	-	919,771
<b>Water system, net</b>	-	1,492,250	-	1,492,250
<b>Infrastructure, net</b>	336,577	-	-	336,577
<b>Capital assets, net</b>	<b>\$ 863,898</b>	<b>\$2,602,756</b>	<b>\$ 25,675</b>	<b>\$ 3,492,329</b>

Long-term Debt - As of December 31, 2004, the Village had \$273,338 in debt outstanding for the primary government. This level of net obligation is \$38,451 less than the obligation recorded as of December 31, 2003.

## **Village of Ovid**

### **Management's Discussion and Analysis**

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#### **Outstanding Debt as of December 31, 2004:**

<b>Primary Government</b>	<b><u>Jan. 1, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2004</u></b>
Governmental Activities				
Compensated absences	\$ 6,789	\$ 6,549	\$ -	\$ 13,338
Business-type Activities				
Revenue Bonds	5,000	-	5,000	-0-
Refunding Bonds	300,000	-	40,000	260,000
<b>Total Reporting Entity</b>	<b><u>\$ 311,789</u></b>	<b><u>\$ 6,549</u></b>	<b><u>\$ 45,000</u></b>	<b><u>\$ 273,338</u></b>

A more detailed discussion of the Village's long-term debt obligations is presented in Note H to the financial statements.

#### **VILLAGE OF OVID GOVERNMENT ECONOMIC OUTLOOK:**

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been cut more than once and any further cuts would affect the services that we provide to the citizens of the Village of Ovid.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past four years.
- Health insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These and many other factors were considered in adopting the Budget for 2005. A usage of \$27,320 of the Village's fund balance was included to balance the General Fund Budget, although it is estimated that the deficit will be significantly higher. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

#### **CONTACTING THE VILLAGE**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 834-5550.

## **BASIC FINANCIAL STATEMENTS**

Village of Ovid

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current				
Cash and cash equivalents	\$ 575,064	\$ 364,072	\$ 939,136	\$ 19,995
Receivables	2,391	24,157	26,548	60,368
Internal balances	29,565	(29,565)	-0-	-
Due from other governmental units	44,257	-	44,257	-
Prepays	5,134	-	5,134	-
Total current assets	656,411	358,664	1,015,075	80,363
Noncurrent				
Cash and cash equivalents				
- restricted	-	226,362	226,362	3,310
Contracts receivable	-	-	-0-	63,568
Unamortized expense	-	4,433	4,433	-
Capital assets, net	863,898	2,602,756	3,466,654	25,675
Total noncurrent assets	863,898	2,833,551	3,697,449	92,553
TOTAL ASSETS	1,520,309	3,192,215	4,712,524	172,916
LIABILITIES				
Current				
Accounts payable	9,843	2,478	12,321	-
Accrued liabilities	4,358	1,005	5,363	-
Accrued interest payable	-	3,120	3,120	-
Current portion of compensated absences	5,564	-	5,564	-
Current portion of long-term debt	-	45,000	45,000	-
Total current liabilities	19,765	51,603	71,368	-0-
Noncurrent				
Payable from restricted cash - customer deposits	-	36,637	36,637	-
Compensated absences	7,774	-	7,774	-
Revenue bonds	-	215,000	215,000	-
Total noncurrent liabilities	7,774	251,637	259,411	-0-
TOTAL LIABILITIES	27,539	303,240	330,779	-0-
NET ASSETS				
Invested in capital assets, net of related debt	863,898	2,342,756	3,206,654	-
Restricted for streets	112,831	-	112,831	-
Restricted for debt retirement	-	189,725	189,725	3,310
Unrestricted	516,041	356,494	872,535	169,606
TOTAL NET ASSETS	\$ 1,492,770	\$ 2,888,975	\$ 4,381,745	\$ 172,916

See accompanying notes to financial statements.



VILLAGE OF OVID  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2004

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets					
		Program Revenues		Primary Government			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:							
Governmental activities							
General government	\$ 203,912	\$ 8,134	\$ -	\$ (195,778)	\$ -	\$ (195,778)	\$ -
Public safety	220,427	1,612	-	(218,815)	-	(218,815)	-
Public works	283,935	34,595	116,455	(132,885)	-	(132,885)	-
Community and economic development	3,462	461	-	(3,001)	-	(3,001)	-
Recreation and cultural	25,581	-	-	(25,581)	-	(25,581)	-
Total governmental activities	737,317	44,802	116,455	(576,060)	-0-	(576,060)	-0-
Business-type activities:							
Sewer	122,885	165,926	-	-	43,041	43,041	-
Water	145,794	105,562	-	-	(40,232)	(40,232)	-
Total business-type activities	268,679	271,488	-	-0-	2,809	2,809	-0-
Total primary government	<u>\$ 1,005,996</u>	<u>\$ 316,290</u>	<u>\$ 116,455</u>	(576,060)	2,809	(573,251)	-0-
Component unit:							
Downtown Development Authority	<u>\$ 71,245</u>	<u>\$ -</u>	<u>\$ -</u>	-0-	-0-	-0-	(71,245)
General revenues:							
Property taxes				326,162	-	326,162	-
State shared revenue				154,181	-	154,181	-
Investment earnings				6,375	2,964	9,339	7,291
Miscellaneous				22,278	4,421	26,699	-
Total general revenues and transfers				508,996	7,385	516,381	7,291
Change in net assets				(67,064)	10,194	(56,870)	(63,954)
Net assets, beginning of the year				1,559,834	2,878,781	4,438,615	236,870
Net assets, end of the year				<u>\$ 1,492,770</u>	<u>\$ 2,888,975</u>	<u>\$ 4,381,745</u>	<u>\$ 172,916</u>

See accompanying notes to financial statements.

Village of Ovid

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 458,282	\$ 47,091	\$ 69,691	\$ 575,064
Accounts receivable	2,391	-	-	2,391
Due from other funds	49,240	-	1,234	50,474
Due from other governmental units	27,636	12,162	4,459	44,257
Prepays	5,134	-	-	5,134
<b>TOTAL ASSETS</b>	<b>\$ 542,683</b>	<b>\$ 59,253</b>	<b>\$ 75,384</b>	<b>\$ 677,320</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Payables				
Accounts	\$ 8,812	\$ 198	\$ 833	\$ 9,843
Wages	3,258	664	436	4,358
Due to other funds	1,234	19,675	-	20,909
<b>TOTAL LIABILITIES</b>	<b>13,304</b>	<b>20,537</b>	<b>1,269</b>	<b>35,110</b>
<b>FUND BALANCE</b>				
Fund balance				
Reserved for prepaids	5,134	-	-	5,134
Unreserved				
Designated	27,320	-	1,303	28,623
Undesignated	496,925	38,716	72,812	608,453
<b>TOTAL FUND BALANCE</b>	<b>529,379</b>	<b>38,716</b>	<b>74,115</b>	<b>642,210</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 542,683</b>	<b>\$ 59,253</b>	<b>\$ 75,384</b>	<b>\$ 677,320</b>

See accompanying notes to financial statements.

Village of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2004

**Total fund balance - governmental funds** \$ 642,210

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,273,408	
Accumulated depreciation is	<u>(1,409,510)</u>	
Capital assets, net		863,898

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Compensated absences	<u>(13,338)</u>
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**Net assets of governmental activities** \$ 1,492,770

See accompanying notes to financial statements.

Village of Ovid

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Primary Government			Total
	General	Major Street	Nonmajor Governmental Funds	Governmental Funds
REVENUES				
Taxes	\$ 326,162	\$ -	\$ -	\$ 326,162
Licenses and permits	461	-	-	461
Intergovernmental	158,960	81,737	29,939	270,636
Charges for services	7,429	-	-	7,429
Interest and rents	42,502	589	196	43,287
Other	22,278	-	-	22,278
TOTAL REVENUES	557,792	82,326	30,135	670,253
EXPENDITURES				
General government	200,569	-	-	200,569
Public safety	240,133	-	-	240,133
Public works	132,947	49,621	38,775	221,343
Community and economic development	3,462	-	-	3,462
Recreation and cultural	33,429	-	-	33,429
TOTAL EXPENDITURES	610,540	49,621	38,775	698,936
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,748)	32,705	(8,640)	(28,683)
OTHER FINANCING SOURCES (USES)				
Residual equity transfer in	1,109	-	-	1,109
Residual equity transfer out	-	-	(1,109)	(1,109)
Operating transfers in	-	-	21,207	21,207
Operating transfers out	-	(21,207)	-	(21,207)
TOTAL OTHER FINANCING SOURCES (USES)	1,109	(21,207)	20,098	-0-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(51,639)	11,498	11,458	(28,683)
Fund balances, beginning of year	581,018	27,218	62,657	670,893
Fund balances, end of year	\$ 529,379	\$ 38,716	\$ 74,115	\$ 642,210

See accompanying notes to financial statements.

Village of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

**Net change in fund balances - total governmental funds** \$ (28,683)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 47,511	
Depreciation expense	<u>(79,343)</u>	
Excess of depreciation expense over capital outlay		(31,832)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(6,549)</u>
--	----------------

**Change in net assets of governmental activities** \$ (67,064)

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 176,054	\$ 188,018	\$ 364,072
Accounts receivable	15,193	8,964	24,157
Total current assets	191,247	196,982	388,229
Noncurrent assets			
Cash - restricted	211,609	14,753	226,362
Unamortized expense	4,433	-	4,433
Capital assets, net	1,032,987	1,569,769	2,602,756
Total other assets	1,249,029	1,584,522	2,833,551
<b>TOTAL ASSETS</b>	1,440,276	1,781,504	3,221,780
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	268	2,210	2,478
Accrued liabilities	554	451	1,005
Due to other funds	6,507	23,058	29,565
Accrued interest payable	3,120	-	3,120
Current portion of long-term debt	45,000	-	45,000
Total current liabilities	55,449	25,719	81,168
Noncurrent liabilities			
Payable from restricted cash - customer deposits payable	21,884	14,753	36,637
Revenue bonds payable	215,000	-	215,000
Total noncurrent liabilities	236,884	14,753	251,637
<b>TOTAL LIABILITIES</b>	292,333	40,472	332,805
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	772,987	1,569,769	2,342,756
Restricted for debt retirement	189,725	-	189,725
Unrestricted	185,231	171,263	356,494
<b>TOTAL NET ASSETS</b>	<u>\$ 1,147,943</u>	<u>\$ 1,741,032</u>	<u>\$ 2,888,975</u>

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services			
Usage fees	\$ 164,426	\$ 95,547	\$ 259,973
Tap in fees	1,500	1,500	3,000
Other	-	12,936	12,936
TOTAL OPERATING REVENUES	165,926	109,983	275,909
OPERATING EXPENSES			
Salaries and wages	17,173	32,639	49,812
Fringe benefits	6,941	8,091	15,032
Administrative charge	3,881	2,189	6,070
Contractual services	5,170	2,731	7,901
Supplies	4,402	8,142	12,544
Utilities	4,666	12,200	16,866
Training	-	798	798
Insurance	3,552	4,380	7,932
Repairs and maintenance	5,259	15,600	20,859
Equipment rental	8,184	8,322	16,506
Other	885	633	1,518
Depreciation	43,880	50,069	93,949
TOTAL OPERATING EXPENSES	103,993	145,794	249,787
OPERATING INCOME (LOSS)	61,933	(35,811)	26,122
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	2,009	955	2,964
Interest expense	(18,892)	-	(18,892)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(16,883)	955	(15,928)
CHANGE IN NET ASSETS	45,050	(34,856)	10,194
Net assets, beginning of year	1,102,893	1,775,888	2,878,781
Net assets, end of year	\$ 1,147,943	\$ 1,741,032	\$ 2,888,975

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type Activities		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 166,984	\$ 110,044	\$ 277,028
Cash receipts from other funds	7,874	7,218	15,092
Cash paid to suppliers	(38,362)	(54,968)	(93,330)
Cash paid for employee benefits	(6,941)	(8,091)	(15,032)
Cash paid to employees	(16,812)	(32,493)	(49,305)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>112,743</b>	<b>21,710</b>	<b>134,453</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital purchases	(11,350)	(3,350)	(14,700)
Interest expense	(18,892)	-	(18,892)
Payments of borrowing	(45,000)	-	(45,000)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(75,242)</b>	<b>(3,350)</b>	<b>(78,592)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	2,009	955	2,964
<b>NET INCREASE IN CASH DURING YEAR</b>	<b>39,510</b>	<b>19,315</b>	<b>58,825</b>
Cash, beginning of year	348,153	183,456	531,609
Cash, end of year	<u>\$ 387,663</u>	<u>\$ 202,771</u>	<u>\$ 590,434</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 61,933	\$ (35,811)	\$ 26,122
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	43,880	50,069	93,949
(Increase) decrease in receivables	113	(866)	(753)
Decrease in due from other funds	1,367	-	1,367
Decrease in unamortized expenses	886	-	886
Increase in due to other funds	6,507	7,218	13,725
Increase (decrease) in accounts payable	(2,709)	27	(2,682)
Increase in accrued liabilities	361	146	507
(Decrease) in accrued interest payable	(540)	-	(540)
Increase in customer deposits	945	927	1,872
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 112,743</b>	<b>\$ 21,710</b>	<b>\$ 134,453</b>

See accompanying notes to financial statements.



Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Ovid is located in Clinton County, Michigan and has a population of approximately 1,500. The Village of Ovid operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President and six (6) trustees who are elected at large for overlapping four (4) year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the Village of Ovid (primary government) and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

2. Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the Village's component unit (Downtown Development Authority). The governing body of the Downtown Development Authority is appointed by the Village Council and the Authority's budget is subject to the approval of the Village Council.

3. Jointly Governed Organizations

The Village participates in the following activities which are considered to be jointly governed organizations in relation to the Village, due to there being no ongoing financial interest or responsibility:

Ovid-Middlebury Emergency Services Authority - The Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, has entered into an agreement which created the Ovid-Middlebury Emergency Services Authority. The Ovid-Middlebury Emergency Services Authority board is composed of one (1) member appointed by the Village and three (3) members appointed by each of the Townships. The Village has no financial responsibility to the Authority.

Ovid Public Library - Under Public Act 24 of 1989, the Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, created the Ovid Public Library, which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water Fund accounts for resources generated by providing water services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to January 1, the Village Budget Committee submits their proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure (i.e., fund) level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31, 2004 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Cash and Cash Equivalents

Cash equivalents are temporary investments that consist of various money market checking accounts. The cash and cash equivalents are recorded at market value.

9. Restricted Cash

A portion of the cash and cash equivalents of the Sewer System and Water System Funds are classified as restricted cash because their use is limited. The Sewer System Fund's restrictions are due to bond resolution requirements to maintain certain balances in separate accounts for debt service and general purpose reserves, and also for the amount of customer deposits held at December 31, 2004. The Water System Fund's restriction is due to the amount of customer deposits held at December 31, 2004.

10. Contracts Receivable

The Downtown Development Authority (component unit) has loaned amounts to certain individuals and organizations that are payable over a long-term payment schedule. These amounts have been recorded as receivables with corresponding deferred revenue. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

11. Property Tax

The Village of Ovid bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Ovid on July 1 and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services and up to an additional 3 mills (\$3 per \$1,000 of assessed valuation) for garbage collection and disposal. For the year ended December 31, 2004, the Village levied 11.8397 mills for general governmental services and 0.7118 mills for garbage collection and disposal.

12. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records charges for equipment rental and administrative costs to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

13. Compensated Absences

Accumulated vacation and sick pay amounts of Village employees are vested (i.e., are payable at termination) according to Village personnel guidelines. This liability, along with the related payroll taxes, is recorded in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Village of Ovid has capitalized all applicable infrastructure that met the reporting criteria, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer and Water systems and improvements	5 - 40 years
Equipment and machinery	5 - 30 years
Buildings	50 years
Vehicles	4 - 20 years
Infrastructure	20 years

As a result of the implementation of GASB 34, the Village is, for the first time, accounting for infrastructure assets on its financial statements.

15. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Accounting Change

As of January 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

As of December 31, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 1,165,498	\$ 1,165,783
COMPONENT UNIT		
Regular checking	5,257	5,331
Savings	<u>18,048</u>	<u>18,048</u>
	<u>23,305</u>	<u>23,379</u>
Total Reporting Entity	<u>\$ 1,188,803</u>	<u>\$ 1,189,162</u>

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of December 31, 2004, the primary government and component unit accounts were insured by the FDIC for \$390,840, and the amount of \$798,322 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents referred to above have been reported in the cash and cash equivalents caption on the Statement of Net Assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 939,136	\$ 19,995	\$ 959,131
Cash and cash equivalents - restricted	<u>226,362</u>	<u>3,310</u>	<u>229,672</u>
	<u>\$ 1,165,498</u>	<u>\$ 23,305</u>	<u>\$ 1,188,803</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The following summarizes the restricted cash and cash equivalents as of December 31, 2004:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Cash and cash equivalents			
Enterprise Funds	\$ 36,637	\$ 189,725	\$ 226,362
Component Unit Funds	<u>-</u>	<u>3,310</u>	<u>3,310</u>
	<u>\$ 36,637</u>	<u>\$ 193,035</u>	<u>\$ 229,672</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details primary government interfund receivables and payables at June 30, 2004:

Due to General fund from:	
Major Street Fund	\$ 19,675
Sewer Fund	6,507
Water Fund	<u>23,058</u>
	49,240
Due to Nonmajor governmental funds from:	
General Fund	<u>1,234</u>
Total interfund receivable and payable	<u>\$ 50,474</u>

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component unit have been eliminated.

Operating transfers to Nonmajor governmental funds from:	
Major Street Fund	<u>\$ 21,207</u>
Residual equity transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 1,109</u>



Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE F: COMPONENT UNIT LONG-TERM CONTRACTS RECEIVABLE**

The Village has four (4) loans outstanding to individuals and organizations made through the Downtown Development Authority (component unit) Special Revenue Fund. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority (component unit) Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village.

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 58,188	\$ 5,413	\$ 63,601
2006	4,020	3,750	7,770
2007	<u>59,549</u>	<u>1,771</u>	<u>61,320</u>
	<u>\$ 121,757</u>	<u>\$ 10,934</u>	<u>\$ 132,691</u>

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2004 was as follows:

PRIMARY GOVERNMENT

	<u>Restated Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>
<b>Governmental activities</b>				
Land (not depreciated)	\$ 1,301	\$ 948	\$ -	\$ 2,249
Land improvements	109,000	-	-	109,000
Buildings	404,500	9,000	-	413,500
Furniture and equipment	299,574	5,486	-	305,060
Vehicles	164,067	32,077	-	196,144
Infrastructure	<u>1,247,455</u>	<u>-</u>	<u>-</u>	<u>1,247,455</u>
Totals at historical cost	2,225,897	47,511	-0-	2,273,408
Less accumulated depreciation for:				
Land improvements	( 40,100 )	( 5,450 )	-	( 45,550 )
Buildings	( 212,373 )	( 8,251 )	-	( 220,624 )
Furniture and equipment	( 126,118 )	( 15,582 )	-	( 141,700 )
Vehicles	( 70,884 )	( 19,874 )	-	( 90,758 )
Infrastructure	<u>( 880,692 )</u>	<u>( 30,186 )</u>	<u>-</u>	<u>( 910,878 )</u>
Total accumulated depreciation	<u>( 1,330,167 )</u>	<u>( 79,343 )</u>	<u>-0-</u>	<u>( 1,409,510 )</u>
Capital assets, net	<u>\$ 895,730</u>	<u>\$ ( 31,832 )</u>	<u>\$ -0-</u>	<u>\$ 863,898</u>

Depreciation expense was charged to activities of the following governmental activities:

General government	\$ 4,291
Public safety	17,084
Public works	56,816
Recreation and cultural	<u>1,152</u>
Total depreciation expense	<u>\$ 79,343</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE G: CAPITAL ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004
<b>Business-type activities</b>				
<b>(Sewer system)</b>				
Land (not depreciated)	\$ 76,800	\$ -	\$ -	\$ 76,800
Sewer system	1,637,638	8,000	-	1,645,638
Equipment	<u>75,161</u>	<u>3,350</u>	<u>-</u>	<u>78,511</u>
Totals at historical cost	1,789,599	11,350	-0-	1,800,949
<b>Less accumulated depreciation for:</b>				
Sewer system	( 684,746 )	( 41,121 )	-	( 725,867 )
Equipment	<u>( 39,336 )</u>	<u>( 2,759 )</u>	<u>-</u>	<u>( 42,095 )</u>
Total accumulated depreciation	<u>( 724,082 )</u>	<u>( 43,880 )</u>	<u>-0-</u>	<u>( 767,962 )</u>
Capital assets, net	<u>\$ 1,065,517</u>	<u>\$( 32,530 )</u>	<u>\$ -0-</u>	<u>\$ 1,032,987</u>
<b>Business-type activities</b>				
<b>(Water system)</b>				
Land (not depreciated)	\$ 57,522	\$ -	\$ -	\$ 57,522
Building	115,681	-	-	115,681
Water system	1,994,151	-	-	1,994,151
Equipment	<u>34,090</u>	<u>3,350</u>	<u>-</u>	<u>37,440</u>
Totals at historical cost	2,201,444	3,350	-0-	2,204,794
<b>Less accumulated depreciation for:</b>				
Building	( 115,681 )	-	-	( 115,681 )
Water system	( 453,515 )	( 48,386 )	-	( 501,901 )
Equipment	<u>( 15,760 )</u>	<u>( 1,683 )</u>	<u>-</u>	<u>( 17,443 )</u>
Total accumulated depreciation	<u>( 584,956 )</u>	<u>( 50,069 )</u>	<u>-0-</u>	<u>( 635,025 )</u>
Capital assets, net	<u>\$ 1,616,488</u>	<u>\$( 46,719 )</u>	<u>\$ -0-</u>	<u>\$ 1,569,769</u>

COMPONENT UNIT

<b>Downtown Development Authority</b>				
Land (not depreciated)	<u>\$ 25,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,675</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2004:

	Restated Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amounts Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental activities					
Compensated absences	\$ 6,789	\$ 6,549	\$ -	\$ 13,338	\$ 5,564
Business-type activities					
Sewer System Fund					
1991 Sewer Revenue Bonds	5,000	-	5,000	-0-	-
1997C Refunding Bonds	<u>300,000</u>	<u>-</u>	<u>40,000</u>	<u>260,000</u>	<u>45,000</u>
Total Primary Government	<u>\$ 311,789</u>	<u>\$ 6,549</u>	<u>\$ 45,000</u>	<u>\$ 273,338</u>	<u>\$ 50,564</u>

In 1997 the Village entered into an agreement with the Michigan Municipal Bond Authority to refund the 1989 Sewer Revenue Bonds and replace them with the 1997C Refunding Bonds. The refunding of the bonds did not change the Village's principal amounts due or the timing or duration of the payments but provided a better interest rate on the outstanding bonds. This resulted in a reduction in future interest payments by \$43,372.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

Sanitary Sewer System Refunding Bonds

\$495,000 Sewer Refunding Bonds dated October 16, 1997, due in annual installments ranging from \$45,000 to \$60,000 through May 1, 2009, with interest ranging of 7.20 percent, payable semi-annually. \$ 260,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 45,000	\$ 17,100	\$ 62,100
2006	50,000	13,680	63,680
2007	50,000	10,080	60,080
2008	55,000	6,300	61,300
2009	<u>60,000</u>	<u>2,160</u>	<u>62,160</u>
	<u>\$ 260,000</u>	<u>\$ 49,320</u>	<u>\$ 309,320</u>

**NOTE I: DEFERRED COMPENSATION PLAN**

The Village of Ovid offers its employees a deferred compensation plan sponsored by Prudential Insurance Company of America, which was created in accordance with IRS Section #457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. In addition, after completion of ninety (90) days of employment, the Village will match employee contributions, up to 5% of current salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Elected officials are not eligible to participate. For the year ended December 31, 2004, the Village contributed \$6,973 to the plan and employees contributed \$7,993.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the combined financial statements, the Village's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2004, the Village incurred expenditures in the General Fund and one (1) Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General Government			
Executive	\$ 9,638	\$ 11,546	\$ 1,908
Equipment rental	28,295	28,321	26
Special Revenue			
Parks and Recreation	-	1,109	1,109

**NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance and retained earnings are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Village has set aside for specific purposes.

The following are the various fund balance and retained earnings reserves as of December 31, 2004:

Fund Balance

PRIMARY GOVERNMENT

General Fund

Reserved for prepaids \$ 5,134

COMPONENT UNIT

Special Revenue - Downtown Development Fund

Reserved for debt retirement 3,310

\$ 8,444

The following is the fund balance designation as of December 31, 2004:

PRIMARY GOVERNMENT

General

Designated for subsequent year's expenditures \$ 27,320

Local Street

Designated for subsequent year's expenditures 1,303

\$ 28,623

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE L: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source (bond ordinance, etc.) which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2004:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Public works	
Streets and highways	
Major Street	\$ 38,716
Local Street	<u>74,115</u>
	<u>\$ 112,831</u>
Business-type activities	
Restricted for debt service	<u>\$ 189,725</u>
Component Units (DDA)	
Restricted for debt service	<u>\$ 3,310</u>

**NOTE M: RISK MANAGEMENT**

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, law enforcement, auto, crime, in-land marine, boiler, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE N: BUILDING AND ZONING FINANCIAL INFORMATION**

The Village elected to report the financial activities of the building and zoning activity in the general fund. The following is the required information as it relates to this activity for the year ended December 31, 2004:

REVENUES	
Building Permits	\$ 461
EXPENDITURES	
Salary and fringes	1,532
Contracted services	1,750
Publications and notices	180
TOTAL EXPENDITURES	<u>3,462</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$( 3,001 )</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

Village of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 316,300	\$ 316,300	\$ 326,162	\$ 9,862
Licenses and permits	500	500	461	(39)
Intergovernmental	166,700	166,700	158,960	(7,740)
Charges for services	9,335	9,335	7,429	(1,906)
Interest and rents	56,350	56,350	42,502	(13,848)
Other	3,165	3,165	22,278	19,113
TOTAL REVENUES	552,350	552,350	557,792	5,442
EXPENDITURES				
General government				
Legislative	16,133	15,744	15,743	1
Executive	9,623	9,638	11,546	(1,908)
Financial administration	108,565	119,029	110,205	8,824
Elections	1,800	2,985	2,967	18
Hall and grounds	29,934	33,408	31,787	1,621
Equipment rental	26,118	28,295	28,321	(26)
Total general government	192,173	209,099	200,569	8,530
Public safety				
Police department	208,664	244,164	240,133	4,031
Fire department	800	1,850	-	1,850
Total public safety	209,464	246,014	240,133	5,881
Public works	131,453	138,956	132,947	6,009
Community and economic development				
Planning/zoning commission	5,225	4,655	3,462	1,193
Recreation and cultural				
Parks and recreation	47,256	35,131	27,178	7,953
Community promotion	6,390	6,262	6,251	11
Total recreation and cultural	53,646	41,393	33,429	7,964
TOTAL EXPENDITURES	591,961	640,117	610,540	29,577

Village of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXCESS OF REVENUES (UNDER) EXPENDITURES	\$ (39,611)	\$ (87,767)	\$ (52,748)	\$ 35,019
OTHER FINANCING SOURCES				
Residual equity transfer in	<u>-</u>	<u>-</u>	<u>1,109</u>	<u>1,109</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(39,611)	(87,767)	(51,639)	36,128
Fund balance, beginning of year	<u>581,018</u>	<u>581,018</u>	<u>581,018</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 541,407</u>	<u>\$ 493,251</u>	<u>\$ 529,379</u>	<u>\$ 36,128</u>



Village of Ovid

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental -State				
Gas and weight tax	\$ 85,685	\$ 85,685	\$ 81,737	\$ (3,948)
Metro act	2,640	2,640	-	(2,640)
Interest	-	-	589	589
TOTAL REVENUES	88,325	88,325	82,326	(5,999)
EXPENDITURES				
Public works	54,910	54,588	49,621	4,967
EXCESS OF REVENUES OVER EXPENDITURES	33,415	33,737	32,705	(1,032)
OTHER FINANCING (USES)				
Operating transfers out	(21,421)	(21,421)	(21,207)	214
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	11,994	12,316	11,498	(818)
Fund balance, beginning of year	27,218	27,218	27,218	-0-
Fund balance, end of year	<u>\$ 39,212</u>	<u>\$ 39,534</u>	<u>\$ 38,716</u>	<u>\$ (818)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Village of Ovid

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2004

	Special Revenue		Total Nonmajor Governmental Funds
	Local Street	Parks and Recreation	
ASSETS			
Cash and cash equivalents	\$ 69,691	\$ -	\$ 69,691
Due from other governmental units	4,459	-	4,459
Due from other funds	1,234	-	1,234
TOTAL ASSETS	<u>\$ 75,384</u>	<u>\$ -0-</u>	<u>\$ 75,384</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 833	\$ -	\$ 833
Accrued wages	436	-	436
TOTAL LIABILITIES	1,269	-0-	1,269
FUND BALANCES			
Unreserved			
Designated	1,303	-	1,303
Undesignated	72,812	-	72,812
TOTAL FUND BALANCE	<u>74,115</u>	<u>-0-</u>	<u>74,115</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 75,384</u>	<u>\$ -0-</u>	<u>\$ 75,384</u>

Village of Ovid

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Local Street</u>	<u>Parks and Recreation</u>	
REVENUES			
Intergovernmental	\$ 29,939	\$ -	\$ 29,939
Interest	196	-	196
TOTAL REVENUES	30,135	-0-	30,135
EXPENDITURES			
Public works			
Highways and streets	38,775	-	38,775
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,640)	-0-	(8,640)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	21,207	-	21,207
Residual equity transfer out	-	(1,109)	(1,109)
TOTAL OTHER FINANCING SOURCES (USES)	21,207	(1,109)	20,098
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	12,567	(1,109)	11,458
Fund balances, beginning of year	61,548	1,109	62,657
Fund balances, end of year	<u>\$ 74,115</u>	<u>\$ -0-</u>	<u>\$ 74,115</u>

Village of Ovid

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2004

	Special Revenue
ASSETS	
Cash	\$ 19,995
Cash - restricted	3,310
Interest receivable	2,180
Contracts receivable	<u>121,756</u>
TOTAL ASSETS	<u><u>\$ 147,241</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	96,756
FUND BALANCE	
Reserved for debt retirement	3,310
Unreserved	
Undesignated	<u>47,175</u>
TOTAL FUND BALANCE	<u>50,485</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 147,241</u></u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2004

<b>Fund balance - governmental fund</b>	<b>\$</b>	<b>50,485</b>
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets (land) used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	25,675
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Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue	<u>96,756</u>
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<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>172,916</u></b>
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Village of Ovid

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
- DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2004

	Special Revenue
REVENUES	
Interest	\$ 7,291
Other	<u>33,792</u>
TOTAL REVENUES	41,083
EXPENDITURES	
Community and economic development	<u>158,990</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(117,907)
Fund balance, beginning of year	<u>168,392</u>
Fund balance, end of year	<u><u>\$ 50,485</u></u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
- DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended September 30, 2004

**Net change in fund balance** \$ (117,907)

Amounts reported for governmental activities in the statement of activities are different because:

Loans to outside entities related to contracts receivable and subsequent collections of contracts receivable is reported as expenditures and revenues in governmental funds, but the subsequent collections reduces contracts receivable and the loans increase contracts receivable in the statement of net assets.

In the current year, these amounts consist of:

Contracts receivable - loan amounts - principal	87,745	
Contracts receivable - principal collections	<u>(33,792)</u>	
		<u>53,953</u>
<b>Change in net assets of governmental activities</b>		<u><u>\$ (63,954)</u></u>



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Honorable President and  
Members of the Village Council  
Village of Ovid  
Ovid, Michigan

As you know, we have recently completed our audit of the records of the Village of Ovid, Michigan as of and for the year ended December 31, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control and our discussions with management.

1. Budgets should be adopted, monitored and amended when necessary.

As noted in the financial statements, some of the activities of the Village exceeded the amounts appropriated. The variances noted were in the General Fund and Parks and Recreation Special Revenue Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Village adopt a budget for all required funds, monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. This condition did not affect our report on the financial statements dated February 4, 2005.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Ovid and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

February 4, 2005